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April 27, 2004

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RECEIVED

APR 27 2004

PUBLIC SERVICE
COMMISSION

HAND DELIVERY

Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: Application of Louisville Gas and Electric Company for an Adjustment of its Gas and Electric Rates, Terms and Conditions
Case No. 2003-00433 ✓

Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, Terms and Conditions
Case No. 2003-00434

Dear Mr. Dorman:

Please find enclosed and accept for filing the original and ten (10) copies of an Exhibit (SBR Rebuttal Exhibit 3) that was inadvertently omitted from S. Bradford Rives' Rebuttal Testimony filed with the Commission on April 26, 2004 in the above-referenced matters. Please confirm receipt of these Exhibits by placing the stamp of your Office with the date received on the enclosed additional copies.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Very truly yours,

Kendrick R. Riggs

KRR/ec
Enclosures
cc: Parties of Record

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 31st day of October, 2001, by and between Louisville Gas and Electric Company ("LG&E"); Kentucky Utilities Company ("KU"); Commonwealth of Kentucky, ex. rel. A.B. Chandler, III, Attorney General; by and through the Utility and Rate Intervention Division ("AG"); and the Kentucky Industrial Utility Customers Inc. ("KIUC"), and the interests of its participating members as represented by and through the KIUC in the proceedings involving LG&E and KU that are the subject of this Settlement Agreement.

WITNESSETH:

WHEREAS, LG&E filed on March 1, 2001 with the Kentucky Public Service Commission ("Commission") its Annual Earnings Sharing Mechanism Filing for 2000 and the Commission has established Case No. 2001-054 to review LG&E's Annual Earnings Sharing Mechanism Filing for 2000;

WHEREAS, KU filed on March 1, 2001 with the Commission its Annual Earnings Sharing Mechanism Filing for 2000 and the Commission has established Case No. 2001-055 to review KU's Annual Earnings Sharing Mechanism Filing for 2001;

WHEREAS, LG&E filed on May 16, 2001 its Application for An Order Approving Revised Depreciation Rates and the Commission has established Case No. 2001-141 to review LG&E's application;

WHEREAS, KU filed on May 16, 2001 its Application for An Order Approving Revised Depreciation Rates and the Commission has established Case No. 2001-140 to review KU's application;

WHEREAS, LG&E and KU filed on June 1, 2001 a Joint Application For An Order Approving Proposed Deferred Debits and Declaring The Amortization Of The Deferred Debits To Be Included In Earnings Sharing Mechanism Calculations and the Commission has established Case No. 2001-169 to review LG&E's and KU's application;

WHEREAS, the AG and the KIUC have been granted intervention by the Commission in all of the forgoing proceedings and are the only parties to the proceedings;

WHEREAS, representatives of the AG, KIUC and the Commission Staff have met on August 28, September 28, October 18 and 19 of 2001 at the offices of the Commission at an informal conference in Case No. 2001-169 to discuss LG&E's and KU's information responses and during the course of those conferences the parties reached an unanimous settlement of all issues in the forgoing proceedings.

NOW, THEREFORE, for and in consideration of the premises and conditions set forth herein, the parties hereby agree as follows:

ARTICLE 1.0 Modification of LG&E's Proposed Depreciation Rates in Case No. 2000-141 and KU's Proposed Depreciation Rates in Case No. 2000-140

SECTION 1.1 LG&E and KU shall revise their proposed depreciation rates filed in Case Nos. 2001-141 and 2001-140 as set forth in Exhibit A to this Settlement Agreement to further reduce the effect of those rates by a total of \$12,000,000 (actual is \$12,013,304) in annual depreciation expense or \$6,181,699 for LG&E and \$5,831,604 for KU's Kentucky retail jurisdiction. This reduction was arrived by:

- (1) Excluding "Other Mandatory Interim Additions" from the calculation of LG&E's and KU's proposed depreciation rates (however, interim additions applicable to

"NO_x Compliance" plans in accordance with the Federal Clean Air Act are included in the calculation of LG&E's and KU's proposed depreciation rates); and

- (2) Revising the proposed depreciation rates for all steam production plant with an average life of less than 48 years to approximate an average life of 48 years, except for Trimble County Unit #1 which was assigned a 44 year average life.

The results of this adjustment are shown below:

<u>Power Station Unit</u>	<u>Revised Average Life</u>
Mill Creek Unit #1	48 years
Mill Creek Unit # 2	48 years
Mill Creek Unit # 3	48 years
Mill Creek Unit # 4	48 years
Trimble County Unit # 1	44 years
Ghent Unit # 1	48 years
Ghent Unit # 2	48 years
Ghent Unit # 3	48 years
Ghent Unit # 4	48 years

SECTION 1.2 Except as specifically provided in Section 1.3 of this Settlement Agreement, the parties agree to recommend that the Commission approve the proposed depreciation rates filed by LG&E in Case No. 2000-141 and by KU in Case No. 2000-140, as modified in accordance with this agreement, for accounting and ratemaking purposes effective January 1, 2001.

SECTION 1.3 LG&E's and KU's proposed depreciation rates, as revised in accordance with this Settlement Agreement, will be used prospectively for purposes of calculating any monthly environmental surcharge under KRS 278.183 following the approval of this Settlement Agreement by the Commission.

SECTION 1.4 LG&E and KU will complete a new study of their depreciation rates no later than calendar year 2004 based on their plant-in-service as of December 31, 2003, and file it with the Commission and serve copies on the AG and the KIUC.

ARTICLE 2.0 Joint Application For An Order Approving Proposed Deferred Debits and Declaring The Amortization Of The Deferred Debits

SECTION 2.1 The following deferred debits shall be recorded on the books of LG&E and KU:

- (1) An estimated \$144,385,000 deferred debit for LG&E allocated \$29,816,000 to LG&E's gas operations and \$114,569,000 to LG&E's electric operations; and
- (2) An estimated \$56,300,000 deferred debit for KTI.

The estimated amounts of the deferred debits are based upon the information presently known by LG&E and KU and shall be adjusted to reflect actual expenses as of December 31, 2001. LG&E and KU will file their accounting journal entries with the Commission and serve copies on the AG and the KIUC within 30 days after the Commission issues an order approving this Settlement Agreement or January 31, 2002, whichever is later. Parties agree that the amount of the deferred debit to be amortized shall be capped at the estimated amounts shown in (1) and (2) of this section. However, the actual amount of the deferred debit may be revised downward as explained in section 2.3.

SECTION 2.2 The deferred debits contained in Section 2.1 of this Settlement Agreement shall be amortized over a sixty month period beginning April 1, 2001 and terminating March 31, 2006 in equal monthly amounts except as provided for in Section 2.3 of this Settlement Agreement. LG&E and KU will reflect the 2001 amortization of the deferred debits in the financial statements of LG&E and KU during the fourth quarter 2001.

SECTION 2.3 The monthly amounts to be amortized over the sixty month period shall be adjusted as shown in Exhibit B to this Settlement Agreement so that the amount allocated for the nine months ending December 31, 2001 to LG&E's electric operations equals \$10,000,000; the amount allocated for the nine months ending December 31, 2001 to LG&E's gas operations equals \$3,000,000; and the amount allocated for the nine months ending December 31, 2001 to KU's Kentucky retail electric operations equals \$5,000,000. The amounts to be amortized for January 2002, will be 1/12th of the amounts shown on Exhibit B, in the column marked "2002" at lines 2, 10 and 18 marked "Cost Amortization." The amounts to be amortized from February 1, 2002 through March 31, 2006 shall be computed as the difference between the total deferred debits referred to in Section 2.1 and the 2001 and January 2002 amortization amounts indicated above and will be adjusted to reflect the actual amounts of expense incurred by LG&E and KU to reflect any reductions in these amount of expenses caused by the decisions of employees to rescind their acceptances of voluntary terminations or retirements by December 31, 2001 in accordance with Section 2.1. Such amounts shall be calculated to provide for a ratable monthly amortization of the balance from February 1, 2002 through March 31, 2006.

SECTION 2.4 LG&E and KU will file with the Commission surcredit rate mechanism tariffs as part of this Settlement Agreement for the purpose of recovering the cost of the deferred debits through rates and sharing with their Kentucky retail customers forty percent of the estimated net savings. This surcredit mechanism shall be in the same form as the Merger Surcredit Rider on file with and approved by the Commission for LG&E and KU in KPSC Case No. 97-300. A tariff sheet illustrating this ratemaking mechanism is shown in Exhibit C to this Settlement Agreement. This surcredit mechanism shall apply to LG&E's electric and gas operations and KU's electric operations. LG&E and KU will file tariffs containing the surcredit mechanism with the Commission and serve copies on the AG and the KIUC within 30 days following the approval of this Settlement Agreement to become effective for billing with the first full monthly billing cycle to occur no later than forty-five days after the Commission issues a final order, but no earlier than December 1, 2001. LG&E and KU will file amended Tariffs, as necessary, by January 21, 2002 to reflect actual deferred debits determined per section 2.3. The surcredit mechanisms will terminate and be withdrawn from service following the expiration of the sixty month period ending March 31, 2006, subject to any final balancing adjustment.

SECTION 2.5 The amounts shown on Exhibit B to this Settlement Agreement as the "Net Savings to Shareholders" on line 6 and 22 shall be included as an adjustment in the calculation of the Earnings Sharing Mechanism Annual filings for LG&E and KU in 2001 and 2002. This adjustment shall be recognized in the application of any successor earnings sharing ratemaking mechanism to the Earnings Sharing Mechanism approved by the Commission to avoid duplication between the earnings sharing mechanism and the Value Delivery Surcredit Rider for LG&E and KU between 2003 through March 2006. The amounts

shown on Exhibit B to this Settlement Agreement as the "Net Savings to Shareholders" on line 14 shall be included as an adjustment in the calculation of any gas base rate review for LG&E through March 2006. By this agreement, the AG retains the right to raise the issue of appropriate rate treatment of the adjustment in the preceding sentence in any case which considers gas base rates that may be effective on or after April 1, 2006.

SECTION 2.6 In the future, if LG&E or KU determine that either or both must incur further expenses through the employment of additional employees or the engagement of further contractors for the purposes of continuing to maintain safety, customer service and reliability at presently existing levels, these expenses shall be treated as normal operating costs and will be included in the calculation of the Earnings Sharing Mechanisms, subject to Commission review.

ARTICLE 3.0 LG&E'S Annual Earnings Sharing Mechanism Filing for 2000
KU's Annual Earnings Sharing Mechanism Filing for 2000

SECTION 3.1 The parties agree to recommend to the Commission that LG&E's Annual Earnings Sharing Mechanism Filing for 2000 in Case No. 2001-054 and KU's Annual Earnings Sharing Mechanism Filing for 2000 in Case No. 2001-055 be approved as filed.

SECTION 3.2 LG&E and KU shall use their monthly average capital structures amounts and previously approved adjustments in calculating their annual earnings sharing mechanisms filings for 2001 and 2002.

ARTICLE 4.0 Approval of Settlement Agreement

SECTION 4.1 Request for Approval by the Commission

Following the execution of this Settlement Agreement, the parties shall cause the Settlement Agreement to be filed with the Commission with a request to the Commission for consideration and approval of this Settlement Agreement as soon as reasonably possible.

SECTION 4.2 Recommendation for Approval to the Commission

The parties to this Settlement Agreement shall act in good faith and use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved.

SECTION 4.3 Approval of Settlement Agreement in its Entirety

If the Commission issues a final order which accepts and approves this Settlement Agreement in its entirety, then: (a) the parties hereby waive their rights under KRS 278.400 to file an application for rehearing and their rights under KRS 278.410 to file a complaint in the Franklin Circuit Court regarding such order of the Commission; and (b) any and all claims or demands, asserted or unasserted, directly arising out of or in connection with the proceedings referenced in this Settlement Agreement shall be deemed compromised and settled under this Settlement Agreement and released and discharged by this Settlement Agreement.

SECTION 4.4 No Approval of Settlement Agreement in its Entirety

If the Commission does not accept and approve this Settlement Agreement in its entirety, then: (a) this Settlement Agreement shall be void and withdrawn by the parties hereto from further consideration by the Commission and none of the parties shall be bound by any of the provisions herein; and (b) neither the terms of this Settlement Agreement nor any matters raised

during the settlement negotiations shall be binding on any of the signatories to this Settlement Agreement or be construed against any of the signatories.

SECTION 4.5 Status Quo

Should the Settlement Agreement be voided or vacated for any reason after any implementation of the terms of the Settlement Agreement has been made, then the parties shall be returned to the *status quo* existing at the time immediately prior to the execution of this agreement.

ARTICLE 5.0 Additional Provisions

SECTION 5.1

This Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

SECTION 5.2

This Settlement Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors and assigns.

SECTION 5.3

This Settlement Agreement constitutes the complete agreement and understanding among the parties hereto, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Settlement Agreement.

SECTION 5.4

For the purpose of this Settlement Agreement only, the rate adjustments are based upon the independent analysis of the parties to reflect a just and reasonable resolution of the issues

herein and are the product of compromise and negotiation. Notwithstanding anything contained in the Settlement Agreement, the parties recognize and agree that the effects, if any, of any future events upon the cost of service of LG&E or KU are unknown, and this Settlement Agreement shall be implemented as written. Neither the Settlement Agreement nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the settlement rates and adjustments set forth herein or the approval of this Settlement Agreement. This Settlement Agreement shall not have any precedential value in this or any other jurisdiction.

SECTION 5.5

Making this agreement shall not be deemed in any respect to constitute an admission by any party hereto that any computation, formula, allegation, assertion or contention made by any other party in these proceedings is true or valid.

SECTION 5.6

The signatories hereto warrant that they have informed, advised, and consulted with the respective parties hereto in regard to the contents and significance of this agreement and based upon the foregoing are authorized to execute this Settlement Agreement on behalf of the parties hereto.

SECTION 5.7

This Agreement is subject to the acceptance of and approval by the Public Service Commission.

SECTION 5.8

This Settlement Agreement is a product of all the parties, and no provision of this Settlement Agreement shall be strictly construed in favor of or against any party.

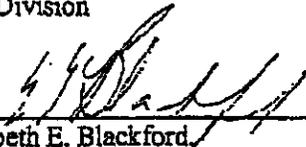
IN WITNESS WHEREOF, the parties hereto have hereunto affixed their signatures.

Louisville Gas and Electric Company
and Kentucky Utilities Company

By: Kendrick R. Riggs
Kendrick R. Riggs, Counsel

Commonwealth of Kentucky, ex. rel. A.B. Chandler, III,
Attorney General, by and through the Utility and Rate
Intervention Division

By: _____


Elizabeth E. Blackford
Assistant Attorney General

Kentucky Industrial Utility Customers, Inc.

By: Michael L. Kurtz
Michael L. Kurtz, Counsel

229923.11

EXHIBIT

A

10/30/01 5:38 PM Louisville Gas & Electric Company and Kentucky Utilities Company
Depreciation Summary
Exhibit A

Company	Reduction from Adoption of Settlement Rate	Per Original Depreciation Filing	Difference	Jurisdictional Percentage	Kentucky Depreciation
LG&E	\$ (3,284,413) (1)	\$ 697,286 (3)	\$ (6,181,699)	100.00%	\$ (6,181,699)
KU	(12,774,957) (2)	(6,103,404) (4)	(6,671,553)	87.41%	(5,831,604)
	\$ (16,059,370)	\$ (5,206,118)	\$ (12,853,252)		\$ (12,013,304)

Notes:

- (1) See Exhibit A schedule "Comparison of Existing to Proposed Depreciation Rates" page 4 of 7
- (2) See Exhibit A schedule "Comparison of Existing to Proposed Depreciation Rates" page 7 of 7
- (3) LG&E Depreciation Study Appendix F, Page 4 or 4
- (4) KU Depreciation Study Appendix E, Page 2 or 2

Louisville Gas and Electric Company
Comparison of Existing to Proposed Depreciation Rates
Depreciable Plant at December 1999

DEPRECIABLE PLANT	Existing Rates 1999 Study		Proposed Rates 2000 Study		Increase or (Decrease)
	Rate	Annual Annual	Rate	Annual Annual	
ELECTRIC PLANT					
INTANGIBLE PLANT	2,046.00	NO		NO	
STEAM PRODUCTION					
CANE RUN LAND	664,106.81	NO		NO	
CANE RUN LOCOMOTIVE	61,646.00	NO		NO	
CANE RUN RAIL CARS	1,501,773.00	2.27%	34,000.25	2.27%	34,000.25
CANE RUN UNIT # 1	7,310,216.33	3.41%	249,276.17	NO	(249,276.17)
CANE RUN UNIT # 2	3,833,091.00	3.41%	129,478.29	NO	(129,478.29)
CANE RUN UNIT # 3	3,808,894.00	2.41%	191,289.21	NO	(191,289.21)
CANE RUN UNIT # 4	43,474,846.00	2.41%	1,048,388.28	2.94%	1,248,734.58
CANE RUN UNIT # 4 SO2 EQUIP.	18,384,308.00	3.00%	876,216.46	0.00%	(876,216.46)
CANE RUN UNIT # 5	38,587,329.00	3.41%	1,315,152.74	2.87%	1,108,068.68
CANE RUN UNIT # 5 SO2 EQUIP.	31,288,742.00	0.00%	1,894,418.74	1.77%	863,136.73
CANE RUN UNIT # 6	69,128,886.00	3.41%	2,357,288.79	3.409%	2,118,347.28
CANE RUN UNIT # 6 SO2 EQUIP.	29,773,213.00	0.29%	1,593,154.59	2.18%	846,188.08
MILL CREEK LAND	327,888.00	NO		NO	
MILL CREEK LOCOMOTIVE	615,434.00	2.18%	13,186.82	2.18%	13,186.82
MILL CREEK RAIL CARS	1,431,646.00	2.17%	78,808.72	2.17%	78,808.72
MILL CREEK UNIT # 1	79,002,371.00	2.89%	2,283,683.83	2.89%	1,886,799.67
MILL CREEK UNIT # 1 SO2 EQUIP.	44,266,861.00	3.79%	1,638,879.54	3.80%	44,232.55
MILL CREEK UNIT # 2	82,821,813.00	2.89%	1,888,884.84	2.89%	1,431,731.20
MILL CREEK UNIT # 2 SO2 EQUIP.	35,126,006.00	3.84%	1,348,336.85	3.86%	1,401,827.89
MILL CREEK UNIT # 3	129,482,883.00	2.89%	3,430,832.18	3.00%	3,922,424.38
MILL CREEK UNIT # 3 SO2 EQUIP.	43,814,036.00	3.62%	1,673,688.08	4.64%	1,888,188.00
MILL CREEK UNIT # 4	248,236,394.00	2.89%	6,894,784.74	2.89%	7,028,471.95
MILL CREEK UNIT # 4 SO2 EQUIP.	115,832,808.00	3.23%	3,670,336.70	3.29%	6,113,448.07
TRIMBLE COUNTY LAND	3,378,247.00	NO		NO	
TRIMBLE CO. UNIT # 1 SO2 EQUIP.	87,722,993.00	0.00%	2,888,144.88	3.47%	2,902,864.38
TRIMBLE COUNTY UNIT # 1	485,188,000.00	2.78%	13,381,408.80	3.43%	11,887,888.44
HYDRAULIC PROD.-PROL 288	8,111,876.00	1.81%	184,894.88	1.81%	184,894.88
HYDRAULIC PROD.-NON PROL	82,887.00	1.78%	1,187.18	1.78%	1,187.18
OTHER PRODUCTION-BROWN 6	23,886,132.00	3.44%	816,148.25	3.45%	817,818.88
OTHER PRODUCTION-BROWN 7	21,131,431.00	3.44%	728,894.87	3.25%	703,879.86
OTHER PRODUCTION-WATERSIDE	3,800,786.00	0.51%	18,484.00	1.30%	46,809.82
OTHER PRODUCTION-ZORN	1,888,888.00	0.52%	8,852.38	1.30%	23,438.54
OTHER PRODUCTION-PADDOYS 11	1,588,478.00	0.52%	8,203.88	1.30%	28,176.46
OTHER PRODUCTION-PADDOYS 12	3,181,148.00	0.52%	16,482.45	1.34%	42,358.38
OTHER PRODUCTION-CANE RUN	2,081,813.00	0.52%	10,730.44	0.48%	10,102.88
TOTAL PRODUCTION	1,918,143,844.84		58,257,731.79		46,882,616.83
TRANSMISSION PLANT					
350.1 Substation Land	848,588.00	NO		NO	
350.2 Transmission Lines Land	38,528.00	NO		NO	
350.4 Land Rights	2,582,774.00	1.72%	44,588.71	1.51%	33,888.34
352.1 Structures & Improvements	2,294,882.00	2.04%	47,796.10	2.88%	48,388.21
353.1 Station Equipment - Project 288	1,108,888.00	2.25%	25,188.00	2.25%	20,100.00
353.2 Station Equipment	105,342,188.00	2.37%	2,391,731.17	2.18%	2,212,888.48
354.2 Towers & Poles	23,776,482.00	2.30%	523,882.18	2.40%	888,061.57
355.2 Poles & Poles	23,284,188.00	2.94%	682,888.57	2.88%	888,282.88
356.1 Overhead Conductors & Devices - Project 288	10,888.00	3.82%	888.88	3.88%	888.88
356.2 Overhead Conductors & Devices	28,888,834.00	2.84%	794,418.48	2.81%	779,418.18
357 Underground Conduit	1,281,811.00	1.82%	24,888.48	1.88%	28,792.02
358 Underground Conductors & Devices	4,874,281.00	2.24%	108,184.12	2.47%	128,284.88
359 Poles & Tolls	2,881.00	2.48%	81.88	2.33%	82.00
TOTAL TRANSMISSION PLANT	188,144,187.88		4,888,287.43		4,488,284.78

Louisville Gas and Electric Company
Comparison of Existing to Proposed Depreciation Rates
Depreciable Plant at December 1995

DISTRIBUTION						
360.1 Substation Land A	1,778,877.00	NO		NO		
360.2 Substation Land B	116,343.00	NO		NO		
360.3 Other Land	44,888.00	NO		NO		
361.1 Substation Structures A	3,303,823.00	2.46%	728,943.88	2.21%	117,214.49	(12,728.18)
361.3 Over Structures	346,798.00	2.32%	4,358.20	2.32%	7,798.88	(488.73)
362.1 Substation Equipment A	71,286,823.00	2.84%	1,862,283.85	2.57%	1,822,374.81	(40,908.04)
362.2 Substation Equipment B	2,582,844.00	3.00%	88,818.72	3.23%	83,784.02	(5,034.70)
364 Poles Towers & Fixtures	82,888,868.00	4.08%	3,388,487.50	3.58%	2,844,744.41	(414,743.09)
365 Overhead Conductors & Devices	108,387,728.00	3.80%	4,288,810.18	3.82%	4,148,433.13	(140,377.05)
366 Underground Conduit	44,887,878.00	1.88%	788,874.18	1.99%	878,889.88	(90,015.70)
367 Underground Conductors & Devices	80,528,828.00	2.94%	1,778,791.54	3.08%	1,884,861.53	(106,069.99)
368.1 Line Transformers	78,888,232.00	2.88%	2,388,877.00	2.70%	2,127,822.28	(261,054.72)
368.2 Line Transformer Installations	8,818,818.00	2.88%	188,128.43	2.70%	183,879.41	(4,249.02)
369.1 Underground Services	2,348,888.00	3.20%	74,818.21	3.21%	73,144.38	(1,673.83)
369.2 Overhead Services	18,188,887.00	5.07%	1,022,418.54	4.48%	888,403.28	(134,015.26)
370.1 Meters	30,301,888.00	3.49%	1,887,588.88	3.37%	1,821,172.88	(66,416.00)
373.1 Overhead Street Lighting	28,838,271.00	3.80%	1,238,238.88	8.85%	1,341,828.88	(103,589.00)
373.2 Underground Streetlighting	24,234,877.00	3.85%	828,188.78	4.34%	1,081,783.88	(253,595.10)
373.4 Street Lighting Transformers	84,847.00	8.88%	6,881.42	8.00%		(6,881.42)
373.8 Street Lighting Transformer Installations	2,888.00		282.88	0.00%		(282.88)
Total Distribution	882,888,843.00		18,881,772.21		18,274,184.48	(607,587.73)
GENERAL						
383.1 Transportation Pumps Cars & Trucks	14,871,730.00	28.88%	2,834,348.00	28.88%	2,834,348.00	
383.2 Transportation Equip Trailers	508,811.00	3.04%	18,488.13	2.80%	13,247.28	(5,240.85)
384.1 Shop Equipment	83,882.00	2.82%	1,883.45	2.78%	1,777.87	(105.58)
384.3 Other Equipment	1,778,454.00	3.87%	70,884.82	3.80%	62,348.88	(8,535.94)
385 Laboratory Equipment	1,382,488.00	2.58%	38,588.44	2.70%	41,917.18	(3,328.74)
386.1 Power Operated Equip Heavy Rated	2,488,888.00	28.08%	487,771.88	28.08%	487,771.88	
386.2 Power Operated Equipment Other	444,888.00	3.17%	4,811.27	2.11%	3,888.33	(922.94)
387 Communications Equipment	771,888.00	3.88%	23,188.07	3.02%	23,381.38	(193.31)
TOTAL GENERAL	21,884,814.88		3,887,738.88		3,877,738.81	(1,000.07)
TOTAL ELECTRIC PLANT	2,388,888,887.88		77,484,814.81		73,888,888.88	(3,596,026.93)
GAS PLANT IN SERVICE						
INTANGIBLE PLANT						
UNDERGROUND STORAGE						
388.1 Land	32,888.00	NO		NO		
388.2 Rights of Way	17,888.00	NO		NO		
389.2 Compressor Station Structures	882,881.00	4.17%	38,288.28	2.48%	30,888.27	(7,400.01)
389.3 Reg Station Structures	18,888.00	4.80%	522.24	8.80%		(522.24)
389.4 Other Structures	788,878.00	4.17%	33,888.28	1.14%	13,378.18	(20,510.10)
389.01 Well Drilling	2,387,737.00	3.38%	78,882.18	1.87%	38,538.84	(40,343.34)
389.02 Well Equipment	3,848,318.00	4.87%	178,783.87	2.38%	38,488.88	(140,295.00)
389.1 Storage Leaseholds & Rights	382,848.00	2.38%	18,888.12	2.22%	12,238.48	(6,649.64)
389.2 Reservoirs	488,811.00	2.88%	18,773.78	0.88%	2,783.83	(16,000.00)
389.2 Nonrecoverable Natural Gas	848,888.00	3.34%	23,783.21	1.73%	18,882.19	(4,901.02)
389.3 Lines	8,723,388.00	4.47%	434,838.87	2.53%	348,881.84	(85,957.03)
389.4 Compressor Station Equipment	8,788,887.00	4.78%	418,887.21	1.78%	188,828.18	(230,059.03)
389.5 Measuring & Regulating Equipment	281,781.00	4.47%	13,128.81	1.54%	4,324.23	(8,804.58)
389.6 Purification Equipment	8,482,884.00	7.82%	488,488.78	3.50%	211,478.14	(277,010.64)
389.7 Other Equipment	314,144.00	3.80%	11,327.47	2.40%	7,882.18	(3,445.29)
TOTAL UNDERGROUND STORAGE	43,874,888.00		1,828,487.13		878,888.88	(949,598.25)
TRANSMISSION PLANT						
389.2 Rights of Way	238,888.00	2.34%	5,182.42	1.88%	3,787.07	(1,395.35)
389.3 Masts	18,188,878.00	2.34%	388,888.88	1.88%	384,888.78	(4,000.10)
TOTAL TRANSMISSION PLANT	18,427,766.00		394,071.30		388,675.85	(5,395.45)

Louisville Gas and Electric Company
Comparison of Existing to Proposed Depreciation Rates
Depreciable Plant at December 1999

DISTRIBUTION PLANT						
374 Land	136,082.00	ND		ND		
375.1 City Gate Structures	84,468.00	3.26%	3,971.89	3.00%	3,382.16	(179.53)
375.2 Other Distribution Structures	800,721.00	3.07%	24,582.13	3.34%	26,744.56	2,161.95
376 Mains	170,686,399.00	2.88%	4,552,731.63	2.23%	1,808,506.66	(944,226.17)
378 Measuring and Reg Equipment	3,748,824.00	3.24%	121,208.54	3.03%	113,359.00	(7,866.94)
378 Meters & Reg Equipment - City Gate	2,347,784.00	3.34%	78,975.32	3.14%	70,978.79	(9,996.53)
380 Services	92,298,997.00	3.94%	3,287,384.48	4.25%	3,922,707.37	635,322.89
381 Meters	17,346,834.00	2.78%	475,978.74	3.11%	536,336.11	60,357.37
382 Meter Installations	4,813,822.00	3.72%	190,938.96	3.22%	135,006.99	(55,931.97)
383 Meter Regulators	3,162,806.00	3.47%	78,121.28	2.42%	76,236.38	(1,884.90)
384 House Regulator Installations	1,168,386.00	2.48%	28,464.48	2.35%	23,401.87	(5,062.61)
385 Industrial Meters & Reg Station Equip	124,836.00	3.22%	3,993.83	3.82%	4,482.07	488.14
387 Other Equipment	27,852.00	2.34%	684.08	2.36%	693.87	8.89
TOTAL DISTRIBUTION PLANT	286,414,976.99		8,688,690.82		8,728,718.08	168,028.24
GENERAL PLANT						
382.1 Cars & Trucks	4,873,702.00	20.0%	874,740.40	20.0%	874,740.40	-
382.2 Trailers	306,122.00	2.69%	7,888.17	4.49%	13,784.08	5,786.21
384.1 Shop Equipment	17,340.00	1.72%	298.53	2.05%	441.34	144.82
384.3 Other Equipment	2,284,000.00	4.49%	101,428.44	3.78%	86,128.28	(15,301.16)
386 Laboratory Equipment	446,888.00	3.17%	14,147.00	3.16%	14,168.37	21.37
386.1 Power Operated Equipment Hourly rated	2,817,482.00	20.0%	523,488.40	20.0%	523,488.40	-
386.2 Power Operated Equipment Other	58,146.00	2.00%	1,182.33	2.00%	1,737.73	577.37
TOTAL GENERAL PLANT	14,583,630.00		1,623,234.28		1,673,564.38	50,330.10
TOTAL GAS PLANT						
	988,897,236.99		13,311,914.88		13,402,282.12	90,367.24
COMMON UTILITY PLANT						
INTANGIBLE PLANT						
381 Organization	83,782.00	ND				
381 Patents and Concessions	4,480.00	ND				
383 Software	17,870,088.00	20%	3,534,018.00	20%	3,534,018.00	-
383.1 Developmental Software	5,487,388.00	14%	784,878.73	14%	785,878.73	1,000.00
383.2 In-use	78,855.00	10%	7,885.27	10%	7,885.27	-
TOTAL INTANGIBLE PLANT	23,334,463.00		4,327,473.28		4,327,473.28	-
GENERAL PLANT						
COMPUTER EQUIPMENT	6,844,870.00	20.0%	1,368,974.00	20.0%	1,368,974.00	-
PERSONAL COMPUTER EQUIP.	11,088,206.00	33.34%	3,694,141.00	33.34%	3,694,141.00	-
BROADWAY OFFICE COMPLEX	30,084,458.00	3.33%	967,813.36	3.33%	967,813.36	-
LOGS BUILDINGS	1,842,835.00	8.00%	131,418.84	8.00%	131,418.84	-
ACTORS THEATER 3RD FLOOR	78,873.00	10.0%	7,887.30	10.0%	7,887.30	-
388.1 Land	1,061,893.00	ND		ND		
388.2 Land Rights	382,595.00	2.81%	5,878.97	2.81%	5,881.86	282.89
389 Structures and Improvements MISC	188,288.00	2.30%	4,100.36	2.18%	4,083.06	(17.30)
389 Structures and Improvements TRANSP.	1,734,689.00	2.30%	38,183.02	2.14%	37,122.22	(1,060.80)
389 Structures and Improvements - STONES	10,864,263.00	2.30%	238,788.77	2.04%	227,706.46	(11,082.31)
389 Structures and Improvements - ALUMINUM	22,881,483.00	2.30%	498,332.63	2.14%	486,372.05	(11,960.58)
389 Structures and Improvements - OTHER	273,881.00	2.30%	6,071.80	1.98%	5,488.42	(583.38)
389 Structures and Improvements - MISC	89,846.00	2.30%	1,878.95	2.08%	1,877.18	(1.77)
381 Office Furniture & Equipment	18,201,487.00	3.21%	487,987.08	3.43%	581,418.32	93,431.24
382.1 Cars & Trucks	354,837.00	20.0%	70,967.40	20.0%	70,967.40	-
382.2 Trailers	66,517.00	2.88%	1,728.44	2.87%	1,776.00	47.56
383 Shop Equipment	1,236,488.00	2.98%	31,705.08	2.75%	24,888.20	(6,816.88)
384.1 Garage Equipment	848,328.00	2.67%	24,300.07	3.07%	30,088.10	5,788.03
384.3 Other Equipment	388,632.00	2.82%	18,736.33	3.12%	17,410.41	(1,325.92)
386 Laboratory Equipment	23,892.00	2.83%	396.82	2.98%	377.16	(19.66)
386.1 Power Operated Equipment Hourly	482,708.00	20.0%	96,541.60	20.0%	96,541.60	-
386.2 Power Operated Equipment Other	18,344.00	2.08%	336.86	2.51%	410.23	73.37
387 Communication Equipment	20,486,146.00	3.37%	705,264.18	3.74%	764,618.00	59,353.82
388 Misc Equipment	284,298.00	4.87%	13,843.28	3.97%	11,288.67	(2,554.61)
TOTAL GENERAL PLANT	117,874,878.00		6,284,877.34		6,256,891.34	(27,986.00)
TOTAL COMMON UTILITY PLANT						
	141,968,998.00		12,537,591.28		12,682,474.88	144,883.60
TOTAL PLANT						
	2,888,282,998.00		182,406,488.00		187,125,087.00	4,718,589.00

Louisville Gas and Electric Company
Comparison of Existing to Proposed Depreciation Rates
Depreciable Plant at December 1999

* USAB Meter

	Originaly Proposed Rate	Settlement Rate
Case Run Unit 4	3.07%	2.94%
Case Run Unit 5	2.97%	2.87%
Case Run Unit 6	3.46%	3.36%
MS Cook Unit 1	2.80%	2.70%
MS Cook Unit 2	2.86%	2.76%
MS Cook Unit 3	3.51%	3.05%
MS Cook Unit 4	3.94%	2.82%
Trinkle County Unit 1	2.70%	2.44%

Kentucky Utilities Company
Comparison of Existing to Recommended Depreciation Rates
Plant in Service at December 31, 1989

Property Group	Depreciable Balance 12-31-89	Existing Rates 1992		Proposed Rates 2000		Increase or (Decrease)
		Rate	Annual Amount	Rate	Annual Amount	
Steam Production Plant						
Brown Unit 1	50,895,823	4.57%	2,318,799	2.90%	1,470,179	(848,620)
Brown Unit 2	35,834,782	3.87%	1,388,808	2.88%	1,032,042	(354,764)
Brown Unit 3	114,386,886	3.51%	4,021,296	3.91%	4,479,518	458,283
Ghent Unit 1	129,982,727	3.03%	3,938,477	3.12%	4,089,481	116,884
Ghent Unit 2	138,193,838	2.97%	4,104,381	1.84%	2,542,783	(1,581,588)
Ghent Unit 3	279,724,502	3.19%	8,923,212	2.22%	6,208,884	(2,713,328)
Ghent Unit 4	269,839,879	3.20%	8,318,087	2.16%	5,814,895	(2,703,372)
Green River Units 1&2	17,858,836	1.83%	326,782	1.71%	308,354	(21,428)
Green River Unit 3	14,843,588	2.41%	352,910	1.94%	284,085	(68,825)
Green River Unit 4	32,918,988	3.85%	1,287,361	3.10%	1,020,488	(246,862)
Pharville Unit 3	8,131,873	1.82%	148,000	2.28%	185,407	37,407
Tyrons Unit 3	17,321,888	2.57%	446,187	2.13%	368,952	(78,215)
System Laboratory	1,688,307	5.59%	94,768	4.22%	71,542	(23,226)
Pollution Control Equipment	114,258,484	5.13%	5,861,481	5.67%	6,478,457	616,986
Total Steam Production Plant	1,218,763,585		41,505,435		34,118,826	(7,388,609)
Hydraulic Production Plant						
Dix Dam	8,774,801	1.88%	183,766	1.89%	166,419	(26,347)
Lock # 7	891,384	2.47%	21,028	2.46%	20,844	(84)
Total Hydraulic Production Plant	10,626,185		204,795		178,363	(28,432)
Other Production Plant						
Brown 6	38,250,843	3.44%	1,247,022	3.39%	1,228,887	(18,129)
Brown 7	37,465,842	3.44%	1,288,404	3.20%	1,328,568	(80,000)
Brown 8	27,810,211	3.44%	949,791	3.51%	989,118	19,327
Brown 9	38,721,783	3.44%	1,283,229	3.39%	1,244,888	(18,381)
Brown 10	27,859,729	3.44%	981,496	3.46%	982,599	11,064
Brown 11	34,791,939	3.44%	1,188,943	3.55%	1,236,114	38,271
Total Other Production Plant	200,490,827		4,806,864		4,888,110	(27,784)
Transmission Plant						
350.1 Land Rights	22,821,430	1.94%	444,876	1.34%	307,147	(137,529)
352 Structures and Improvements	7,378,773	2.75%	202,861	2.65%	195,484	(7,377)
353.1 Station Equipment	194,181,067	1.99%	3,670,221	2.21%	2,988,491	(681,730)
353.2 Syst Control/Microwave Equip.	11,419,300	8.51%	971,782	6.18%	708,713	(266,070)
354 Towers & Poles	80,000,913	2.94%	1,784,027	2.84%	1,704,026	(80,001)
355 Poles & Pictures	68,210,779	4.28%	2,905,779	4.03%	2,748,884	(156,885)
356 Overhead Conductors and Devices	115,887,447	3.43%	3,978,282	3.25%	3,788,887	(208,615)
357 Underground Conduit	432,475	9.13%	8,212	2.01%	6,883	(1,329)
358 Underground Conductors & Devices	1,114,782	3.74%	41,892	3.52%	39,240	(2,452)
Total Transmission Plant	421,565,846		12,985,533		12,441,288	(544,247)
Distribution Plant						
360.1 Land Rights	1,418,328	2.24%	31,726	1.14%	16,148	(15,580)
381 Structures and Improvements	3,122,643	2.41%	75,298	1.89%	68,018	(7,280)
382 Station Equipment	81,088,043	1.98%	1,605,543	2.34%	1,818,372	210,829
384 Poles Towers & Pictues	148,808,993	4.22%	5,271,300	3.52%	5,231,837	(1,040,283)
385 Overhead Conductors and Devices	140,791,529	4.13%	5,814,890	3.02%	4,251,904	(1,582,786)
388 Underground Conduit	1,845,108	2.00%	30,902	1.75%	27,039	(3,863)
387 Underground Conductors & Devices	31,989,710	3.71%	1,187,189	3.29%	1,082,790	(104,399)
388 Line Transformers	185,510,785	3.08%	5,732,283	2.41%	4,470,810	(1,281,473)
389 Services	72,773,383	4.59%	3,340,299	3.75%	2,729,002	(611,297)
370 Meters	58,069,039	2.57%	1,440,974	2.79%	1,584,328	123,352
371 Installations on Customer Premises	17,944,245	6.88%	1,198,878	8.27%	1,128,104	(73,571)
373 Street Lighting & Signal Systems	38,889,982	4.24%	1,684,055	3.89%	1,420,192	(143,864)
Total Distribution Plant	777,757,938		28,292,893		23,783,741	(4,528,152)

Kentucky Utilities Company
Comparison of Existing to Recommended Depreciation Rates
Plant in Service at December 31, 1989

General Plant						
300.1 Structures & Improvements	31,138,795	2.10%	653,915	1.78%	548,043	(105,872)
391.1 Office Furniture & Equipment	2,611,211	8.24%	175,420	5.82%	183,612	(11,807)
393 Stores Equipment	631,744	3.32%	20,974	2.87%	18,131	(2,843)
394 Tool, Shop & Garage Equipment	2,836,759	3.33%	94,431	2.74%	77,700	(16,731)
395 Laboratory Equipment	3,180,709	3.70%	118,578	3.16%	99,582	(17,914)
396 Power Operated Equipment	203,917	8.63%	13,520	3.59%	7,259	(6,260)
397 Communication Equipment	3,988,630	5.81%	232,320	3.55%	141,961	(90,359)
398 Misc Equipment	542,572	5.64%	38,027	5.19%	28,159	(7,867)
Total General Plant	45,313,337		1,343,182		1,084,419	(258,763)
Total Depreciable Plant Stuffed	2,871,307,068		91,228,702		78,483,748	(12,774,957)
Intangible Plant	11,956,315					
Pineville Units 1&2	1,873,870					
Tyrone Units 1&2	8,482,241					
Haefflin 1,2&3	4,863,327					
Land	16,244,889					
Leasehold Improvements	883,403					
Personal Computers	163,668					
Computer Equip	8,954,132					
Cash Handling Equipment	362,384					
Transportation Equipment	23,762,286					
Total Plant in Service	2,744,380,383					

* KJ Note:

	Originally Proposed Rate	Settlement Rate
Brown Unit 1	3.04%	2.90%
Brown Unit 2	3.28%	2.88%
Brown Unit 3	4.00%	3.81%
Ghent Unit 1	3.36%	3.12%
Ghent Unit 2	2.38%	1.84%
Ghent Unit 3	2.93%	2.22%
Ghent Unit 4	3.42%	2.18%
Tyrone Unit 3	2.33%	2.13%

EXHIBIT

B

10/30/2001 17:37
Exhibit B

Confidential for Settlement Purposes Only
Louisville Gas & Electric and Kentucky Utilities Co.
VDT Settlement Surcredit

Line	Company/Elec/Gas	Period:	Dec 2001	2002	2003	2004	2005	Jan-Mar 2006	Total	Line
1	LGE Electric	Est Savings	\$ 12.7	\$ 26.7	\$ 36.5	\$ 38.0	\$ 40.6	\$ 10.5	\$ 164.0	1
2		Cost Amortization	10.0	24.6	24.6	24.6	24.6	6.2	114.6	2
3		Net Amount	2.7	2.1	10.9	13.4	16.0	4.3	49.4	3
4										4
5		Net savings to customers	\$ 1.1	\$ 0.8	\$ 4.4	\$ 6.4	\$ 6.4	\$ 1.7	\$ 19.8	5
6		Net savings to shareholders	\$ 1.6	\$ 1.3	\$ 6.5	\$ 8.0	\$ 9.6	\$ 2.6	\$ 29.6	6
7										7
8										8
9	LGE Gas	Est Savings	\$ 3.3	\$ 6.8	\$ 9.2	\$ 9.9	\$ 10.6	\$ 2.7	\$ 42.6	9
10		Cost Amortization	3.0	6.3	6.3	6.3	6.3	1.6	29.8	10
11		Net Amount	0.3	0.6	2.9	3.6	4.3	1.1	12.8	11
12										12
13		Net savings to customers	\$ 0.1	\$ 0.2	\$ 1.2	\$ 1.4	\$ 1.7	\$ 0.4	\$ 5.1	13
14		Net savings to shareholders	\$ 0.2	\$ 0.4	\$ 1.7	\$ 2.2	\$ 2.6	\$ 0.7	\$ 7.7	14
15										15
16										16
17	KU Electric	Est Savings	\$ 6.2	\$ 13.1	\$ 17.4	\$ 18.7	\$ 19.9	\$ 5.1	\$ 80.4	17
18		Cost Amortization	5.0	12.1	12.1	12.1	12.1	2.9	56.3	18
19		Net Amount	1.2	1.0	5.3	6.6	7.8	2.2	24.1	19
20										20
21		Net savings to customers	\$ 0.5	\$ 0.4	\$ 2.1	\$ 2.6	\$ 3.1	\$ 0.9	\$ 9.6	21
22		Net savings to shareholders	\$ 0.7	\$ 0.6	\$ 3.2	\$ 4.0	\$ 4.7	\$ 1.3	\$ 14.5	22
		Total Net Savings to All Customers	\$ 1.7	\$ 1.5	\$ 7.6	\$ 9.4	\$ 11.2	\$ 3.0	\$ 34.5	

EXHIBIT

C

KENTUCKY UTILITIES COMPANY

Original Sheet No.
P.S.C. No. 12

ELECTRIC RATE SCHEDULE		VDSR	
Value Delivery Surcredit Rider			
APPLICABLE In all territory served by the Company.			
AVAILABILITY OF SERVICE To Kentucky Utilities Company Electric Rate Schedules RS, FERS, GS, CWH, 33, AES, LP, LCI-TOD, HLF, MP, LMP-TOD, M, ST.LT., P.O.LT., C.O.LT., SEASONAL/TEMPORARY SERVICE RIDER, AND WESTVACO			
RATE The monthly billing amount computed under each of the rate schedules to which this surcredit is applicable shall be adjusted by the Value Delivery Surcredit Factor, which shall be calculated in accordance with the following formula: $\text{Value Delivery Surcredit Factor} = \text{VDS} + \text{BA}$			
Where:			
(VDS) is the Value Delivery Surcredit which is based on the total Company net savings that are to be distributed to the Company's Kentucky jurisdictional retail customers in each 12-month period.			
	Net Savings to be Distributed	Value Delivery Surcredit (VDS)	
Year 1, Dec 1, 2001 to Dec 31, 2001	\$ 480,000	%	
Year 2, Jan 1, 2002 to Dec 31, 2002	\$ 400,000	%	
Year 3, Jan 1, 2003 to Dec 31, 2003	\$2,120,000	%	
Year 4, Jan 1, 2004 to Dec 31, 2004	\$2,840,000	%	
Year 5, Jan 1, 2005 to Dec 31, 2005	\$3,120,000	%	
Year 6, Jan 1, 2006 to Dec 31, 2006	\$ 880,000	%	
(BA) is the Balancing Adjustment for the second through the twelfth months of the current distribution year which reconciles any over- or under-distribution of the net savings from prior periods. The Balancing Adjustment will be determined by dividing the differences between amounts which were expected to be distributed and the amounts actually distributed from the application of the Value Delivery Surcredit Factor from the previous year by the expected Kentucky jurisdictional retail electric revenues. The final Balancing Adjustment will be applied to customer billings in the second month following the fifth distribution year.			
TERMS OF DISTRIBUTION			
(1) The total distribution to Company's customers will, in no case, be less than the sum of the amounts shown above. This tariff will be re-filed to reflect actual net savings by January 21, 2002.			
(2) On or before the 21st of the first month of each distribution year following Year 1, the Company will file with the Commission a status report of the Surcredit. Such report shall include a statement showing the amounts which were expected to be distributed and the amounts actually distributed in previous periods, along with a calculation of the Balancing Adjustment (BA) which will be implemented with customer billings in the second month of that distribution year to reconcile any previous over-or under-distributions.			
(3) The Value Delivery Surcredit shall be applied to the customer's bill following the rates and charges for electric service, but before application of the school tax, the franchise fee, sales tax or similar items.			
(4) The Value Delivery Surcredit shall be withdrawn with application of the final Balancing Adjustment following Year 6.			

Date of Issue:

Issued By

Date Effective:

M. S. Beer, Vice President